

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL FOUR)

Docket No. RM2015-12

PETITION OF THE UNITED STATES POSTAL SERVICE FOR THE
INITIATION OF A PROCEEDING TO CONSIDER PROPOSED CHANGES
IN ANALYTICAL PRINCIPLES (PROPOSAL FOUR)
(July 17, 2015)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a rulemaking proceeding to consider a proposal to change analytical principles relating to the Postal Service's periodic reports. The proposal, relating to the use of SIRVO data in the ICRA Report, is labeled Proposal Four and is discussed in detail in the attached text.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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A Proposed Change in ICRA Data Sources

OBJECTIVE:

The Postal Service proposes to revise several of the data sources for determining outbound settlements for aggregated SIRVO country groups.

BACKGROUND:

For outbound mail flows, the ICRA develops country-specific information for 46 individual countries and four regional aggregated country groupings. The ultimate source of the flow data is the same as the RPW reporting and is developed by the Summary of International Revenue and Volume Outbound statistical system or SIRVO.

PROPOSAL:

The ICRA has made use of accounting data to develop international settlement costs for the four aggregated country groups. This was originally the only source of data for countries not reported in the ICRA inputs by SIRVO. Recently, the ICRA has been provided a full list of country data which is consistent with the RPW totals. Although they were not used in their disaggregated form, the data were included with the FY13 and FY14 ICRA supporting data. This proposal seeks the Commission's approval to use this expanded SIRVO data in lieu of international accounting data, thereby streamlining the ICRA data sources. The overall workings of the ICRA are not materially affected, as the use of the SIRVO data is parallel to the use of the IAB data.

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RATIONALE:

There are currently 20 individual quarterly international accounting datasets providing country-specific outbound mail flow data required for ICRA processing. This proposal eliminates 16 of the required datasets, retaining only four files for outbound Priority Mail Express International data, which are not provided by SIRVO.

MECHANICS:

The implementation of this proposal involves adjustments in the processing flow of SIRVO by bringing a full list of countries into four sheets of the ICRA core data file, Inputs.xls. The four sheets are: RPW Gross Weight, RPW Net Weight, RPW Revenue and RPW Volume. Previously, these sheets only incorporated data for the 46 individual countries and four regional aggregate country groups. This proposal expands the list to include data for the 186 additional countries/territories currently subsumed in the regional aggregate groups. These data are used to replace the previously required accounting data in Inputs.xls, allowing for the elimination of 2 sheets in Inputs.xls, sheets Outbound KG and CP Outbound Air, where the data from the 16 international accounting datasets are currently input. The elimination of these data requires adjustment of data sources in the ICRA core file Outbound Calcs.xls. The affected worksheets are “acp,” columns D through G, and “tdu rates,” columns E through H, both of which develop weighted-average settlement rates for the four regional aggregated country groups for Air Parcels, Air Letterpost, and ISAL.

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IMPACT:

The non-public Excel file “Attachment 1.xls” filed under seal with this proposal as part of USPS-RM2015-12/NP1 displays the comparison between the unified FY 2014 version as filed in USPS-RM2015-10 (currently pending as Proposal Two) and the proposed methodology.

Attachment 1.xls contains 16 worksheet tabs that present the A Pages Summary, A Pages (md), B Pages (md), A Pages (c), and B Pages (c) reports as they result under the implementation of this proposal (those whose tab names end with “Proposed”) and as they were reported in the unified FY 2014 as filed in USPS-RM2015-10 (those whose names end with “Unified”). In addition, every change under this proposal that differs by more than \$0.01 and 1 percent at the same time is tabulated and presented in the first tab, <Differences>. There are 36 such differences, and the location of each is given in <Differences> and also shown by green cell shading in the proposed pages of the reports. There are also six “difference” sheets (with names ending in “Proposed - Unified”, or “Proposed – Uni” for A Pages Summary) that present the difference between cells in the proposed sheets and the corresponding Unified sheets, regardless of magnitudes.

A good overview of the impacts from this proposal can be seen in the tab, <A Pages Summary Proposed - Uni> and the corresponding statistics in <Differences>. There, it can be seen that the volume-variable costs for International Priority Airmail (IPA) and International Surface Airlift increase by \$125(000) and \$85(000), respectively with the shift to SIRVO data sources. This cost change is isolated in outbound products covered by SIRVO and any affected NSAs in the international settlements estimates.

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This is the result of replacing accounting data weightings for the four SIRVO aggregated countries with SIRVO weightings. The changes to the calculated weighted average settlement rates by IPA and ISAL rate groups that give rise to the total changes can be found in the Competitive B Pages.

The only Market Dominant category to experience a change of 1 percent or more was that of Outbound International Cards to Transition System Countries at UPU Rates, which shows a total volume-variable cost increase of \$10(000) due to the proposed weighted average settlement rate calculation.

Under this proposal, costs for individual products move because of the new weighting scheme, primarily as it applies to settlement rates by SIRVO aggregate group and individual rate groups. However, overall costs remain the same (to within one ten-thousandth of 1 percent) due to the ICRA benchmarking process.